

UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

Before the Honorable Paul J. Luckern

In the Matter of

CERTAIN RUBBER
ANTIDEGRADANTS,
COMPONENTS THEREOF, AND
PRODUCTS CONTAINING SAME

Investigation No. 337-TA-533

RECEIVED
OFC OF THE SECRETARY
US INTL TRADE COMM
2006 MAR 20 PM 4: 26

**FLEXSYS AMERICA L.P.'S RESPONSE TO THE
CONTINGENT PETITION FOR REVIEW
SUBMITTED BY KOREA KUMHO PETROCHEMICAL CO., LTD.**

Gregory C. Dorris
Charles H. Carpenter
PEPPER HAMILTON LLP
Hamilton Square
600 Fourteenth Street, N.W.
Washington, DC 20005
(202) 220-1200

Glen Belvis
BRINKS HOFER GILSON & LIONE
455 North Cityfront Plaza Drive
Suite 3600
Chicago, Illinois 60611
(312) 321-4200

Eric C. Cohen
Neil A. Benchell
Carolyn E. Miller
KATTEN MUCHIN ROSENMAN LLP
525 West Monroe Street
Chicago, Illinois 60661-3693
(312) 902-5200

Attorneys for Complainant Flexsys
America L.P.

Dated: March 20, 2006

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	THE ALJ CORRECTLY DETERMINED NOT TO CONSIDER WHETHER KKPC’S P1 AND P2 PROCESSES FOR PRODUCING 4-ADPA AND 6PPD INFRINGE THE PATENTS-IN-SUIT	2
	A. The ALJ’s Decision Is Fully Consistent With <i>Flash Memory Circuits</i>	3
	B. The ALJ’s Decision Is Fully Consistent With <i>Hardware Logic Emulation Systems</i> And Other Precedent Stating That Whether A Respondent’s Redesigned Or New Products Infringe Is A Question To Be Decided By A Modification Proceeding Or An Advisory Opinion.....	10
III.	KKPC HAS NOT ESTABLISHED THAT IT HAS A LICENSE TO PRACTICE THE PATENTS-IN-SUIT, OR THAT FLEXSYS IS ESTOPPED FROM ENFORCING THE PATENTS AGAINST KKPC	11
	A. The ALJ Correctly Determined That KKPC Has Not Established A Licensing Or Estoppel Defense.....	12
	1. Factual background	12
	2. The ALJ rejected KKPC’s licensing defense	16
	3. The ALJ also rejected KKPC’s estoppel defense.....	17
	B. There Is No Reason For The Commission To Review The ALJ’s Finding That KKPC Did Not Have A License	18
	1. KKPC fails to prove its licensing defense.....	18
	2. KKPC’s witnesses are not credible	20
	3. KKPC can not claim a licensing defense because KKPC did not succeed to KMI’s rights under the TALA.....	23
	4. Even if KKPC could establish that it succeeded to KMI’s rights, the TALA did not give rights to the patents-in-suit.....	24
	(a) KKPC did not have a license to the PPD2 process based on the TALA’s “Continuing Know-How” provision because PPD2 is not an “improvement” to PNCB	25
	(b) KKPC did not have a license to the PPD2 process based on the TALA’s “Continuing Know-How” provision because PPD2 was not “commercialized” during the term of the TALA	27
	(c) KKPC did not have a license to the PPD2 process based on the TALA’s “Continuing Know-How” provision because Flexsys is not a “Monsanto Affiliate” and has no obligations under the TALA	28
	(d) KKPC cannot exercise rights under the TALA those rights were limited to a plant that KKPC never built	29

PUBLIC VERSION

(e)	KKPC and KMI knew that the TALA never conveyed rights to the patents-in-suit	29
5.	KKPC's argument that it has a license to reductively alkylate 4-ADPA is unsupportable and irrelevant	29
(a)	KKPC fails to prove its estoppel defense.....	30
(b)	Monsanto and Flexsys never made a promise to offer the PPD2 technology under the TALA, or otherwise.....	31
(c)	KKPC never invoked the arbitration clauses under the JVA or the TALA during the applicable statute of limitations	32
(d)	KMI did not rely on Monsanto's supposed assurances.....	33
IV.	CONCLUSION	34

TABLE OF AUTHORITIES

Cases

<i>Ajinomoto Co., Inc. v. Archer-Daniels-Midland Co.</i> , 28 F.3d 1338 (Fed. Cir. 2000).....	12, 18, 19, 30
<i>Amgen, Inc. v. U.S. Int’l Trade Comm’n</i> , 902 F.2d 1532, 1536 (Fed. Cir. 1990),.....	3, 7
<i>Certain Flash Memory Circuits and Products Containing Same</i> , ITC Inv. No. 337-TA- 382, USITC Pub. 3046 (July 1997).....	1, 2, 3, 5, 6, 7, 8, 9
<i>Certain Hardware Logic Emulation Systems and Components Thereof</i> , ITC Inv. No. 337- TA-383, USITC Pub. 3089 (Mar. 1998)	3, 10, 11
<i>Certain Optical Disk Controller Chips and Chipsets and Products Containing Same</i> , <i>Including DVD Players and PC Optical Storage Devices</i> , ITC Inv. No. 337-TA-506, Order No. 32 (Dec. 22, 2004).....	9

I. INTRODUCTION

The Commission should not review KKPC's contingent petition. The ALJ correctly decided that KKPC's P1 and P2 processes were not at issue in this case. Flexsys did not charge in the Complaint that those processes were covered by the claims of the '063 and '111 patents. In Motion No. 533-57, Flexsys clarified that it was not seeking relief with respect to the P1 and P2 processes and that it did not seek an exclusion order with respect to the products of those processes. Thus, the ALJ correctly held that Flexsys' Motion 533-57 was tantamount to a motion to terminate. *See Certain Flash Memory Circuits and Products Containing Same*, ITC Inv. No. 337-TA-382, USITC Pub. 3046 (July 1997) ("*Flash Memory Circuits*").

The ALJ correctly rejected KKPC's "license" defense. From 1987 to 1997, KKPC and Monsanto were parties to an agreement that established Kumho Monsanto Inc. ("KMI") as a joint venture. KMI was licensed to use Monsanto's old PNCB process. ID at 128. In spite of the fact that the patents in suit did not exist until 1992, KKPC argued that the 1987 license agreement (the "TALA") provided it with a license under the patents in suit. The ALJ found otherwise. ID at 128.

KKPC's "license" defense was based in large part on the testimony of Mr. Lim, a KKPC employee, and to a lesser extent, on the testimony of Mr. Park, an expert in Korean law. The ALJ, who observed the demeanor of both witnesses, was in a position to assess their utter lack of credibility, and correctly rejected their testimony. Indeed, Mr. Lim admitted at the Hearing that KKPC had not produced relevant documents. Mr. Park admitted that his testimony was based on information provided to him by KKPC's trial lawyers.

The ALJ rejected Mr. Lim's testimony that KKPC relied on promises by Monsanto to provide KMI with a license under the patents in suit. ID at 129. The TALA includes an integration clause requiring that amendments be in writing. ID at 129-120. KMI requested a written commitment for Monsanto to construct a new plant using the process covered by the patents in suit. Mr. Lim admitted that Monsanto did not provide the written commitment. ID at 129.

For the reasons set forth in detail below, KKPC's petition provides no reason to review the ALJ's decisions, correctly terminating the investigation as to KKPC's P1 and P2 processes and rejecting KKPC's license defense.

**II. THE ALJ CORRECTLY DETERMINED NOT TO CONSIDER
WHETHER KKPC'S P1 AND P2 PROCESSES FOR PRODUCING 4-
ADPA AND 6PPD INFRINGE THE PATENTS-IN-SUIT**

KKPC in its petition for review claims that the ALJ erred in determining not to consider whether KKPC's P1 and P2 processes for making 4-ADPA and 6PPD infringe the patents-in-suit. KKPC attempts to mischaracterize the record and reframe the issue to escape from clear Commission precedent that supports the ALJ's determination. The ALJ's determination is fully consistent with the Commission's prior determination in *Flash Memory Circuits*. For that reason alone, the Commission should not review the ALJ's determination.

The problem with KKPC's petition argument is that it acknowledges that it is seeking a ruling as to whether its "redesigned" product is covered by the claims of the '063 and '111 patents. KKPC's bald assertion that a Complainant is required by the Commission to address "redesigned or newly designed products that fall within the scope of an investigation" is flatly contradicted by the Commission's decision in *Certain Hardware Logic Emulation Systems and Components Thereof*, ITC Inv. No. 337-TA-383,

USITC Pub. 3089 (Mar. 1998) (“*Hardware Logic Emulation Systems*”), and cases cited therein. The Commission has long held that respondents asserting the existence of non-infringing new products must use the mechanisms of a subsequent modification proceeding or an advisory opinion to demonstrate such products do not infringe.

In this respect, Flexsys agrees with KKPC that the Commission defines and controls the scope of the investigation. It is precisely that discretionary authority regarding the scope that the Commission exercised in establishing its positions in *Flash Memory Circuits* and *Hardware Logic Emulation Systems*. Since the ALJ’s determination is fully consistent with these Commission decisions, the scope of the investigation as seen by the Commission is correctly implemented. KKPC’s reliance on *Amgen, Inc. v. U.S. Int’l Trade Comm’n*, 902 F.2d 1532, 1536 (Fed. Cir. 1990), is thus wholly misplaced. The Commission here has assumed jurisdiction and consistent with the authority it possesses in defining the scope of the investigation has rendered a determination as to that scope through the correct reading by the ALJ of the Commission’s policy and practice as expressed in *Flash Memory Circuits* and *Hardware Logic Emulation Systems*.

A. The ALJ’s Decision Is Fully Consistent With *Flash Memory Circuits*

KKPC in its petition for review mischaracterizes the question underlying its allegations regarding the P1 and P2 processes and thereby presents a misleading issue for review. Flexsys started this investigation by the filing of a Verified Complaint on February 23, 2005. In that Verified Complaint, Flexsys made specific allegations of infringement against each named respondent. With respect to infringement by KKPC, Flexsys specifically alleged that “KKPC purchases infringing 4-ADPA manufactured by Respondent Sinorgchem and manufactures 6PPD (tradename “Kumanox 13”) using the

processes covered by the Flexsys patents.” Verified Complaint, at ¶ 11. Flexsys further explained this allegation of infringement against KKPC in Section VII.B. of the Verified Complaint:

Proposed Respondent Sinorgchem has sold and continues to sell 4-ADPA to Proposed Respondent KKPC, knowing that KKPC would alkylate such 4-ADPA to make 6PPD.... Proposed Respondent KKPC has used Proposed Respondent Sinorgchem’s 4-ADPA to make 6PPD by alkylating the 4-ADPA, in accordance with the processes of the claims in the Flexsys patents.... Based on the extensive investigation of Sinorgchem conducted by Flexsys, and based on concrete information that KKPC is purchasing 4-ADPA from Sinorgchem and alkylating it to make 6PPD, a substantial likelihood exists that Proposed Respondent KKPC’s 6PPD was made by a process covered by the Flexsys patents.

Verified Complaint at ¶¶ 47-48 and 50. Flexsys’ Verified Complaint did not assert a claim of infringement against any 4-ADPA manufactured by KKPC, nor was it ever amended to allege any infringement against any 4-ADPA manufactured by KKPC or against KKPC’s P1 or P2 processes.

Nevertheless, during discovery, Flexsys became aware that KKPC purportedly had developed the P1 and P2 processes for the manufacture of 4-ADPA. Flexsys learned through discovery that KKPC had produced after the filing of the Verified Complaint some small amounts of 4-ADPA in its lab using these processes and had even alkylated that 4-ADPA into 6PPD. Flexsys also learned through discovery, however, that KKPC had no current abilities to commercially produce 4-ADPA or 6PPD using its P1 and P2 processes (nor any immediate plans to develop commercial production capabilities). Because it had made no allegation of infringement against the P1 and P2 processes, and because it believed it highly unlikely KKPC ever would produce commercially any 4-

ADPA or 6PPD using these new processes, Flexsys did not seek specific discovery as to whether the P1 and P2 processes infringe the patents-in-suit.

Flexsys filed a timely motion *in limine* prior to the Hearing to exclude testimony and evidence related to KKPC's P1 and P2 processes. KKPC filed its own motion *in limine* to preclude Flexsys from presenting evidence or argument that KKPC's P1 and P2 processes infringe the patents-in-suit. Following a subsequent telephone conference call with the ALJ, the Commission Investigative Staff, and counsel for the other parties, Flexsys filed a motion for leave to supplement its amended prehearing statement to clearly withdraw any suggestion of an allegation of infringement against KKPC's P1 and P2 processes. That supplement also contained a stipulation by Flexsys that it was not seeking an exclusion order against 4-ADPA produced using KKPC's P1 and P2 processes or against 6PPD made from 4-ADPA produced using KKPC's P1 and P2 processes. The ALJ granted this motion to supplement Flexsys' amended prehearing statement on the first day of the Hearing, November 7, 2005.¹

The Commission made it clear in *Flash Memory Circuits* that absent an allegation of infringement by the Complainant, the ALJ should not decide an issue of infringement. The complainant in *Flash Memory Circuits* was SanDisk Corporation ("SanDisk") and the respondents were Samsung Electric Company, Ltd. and Samsung Semiconductor, Inc.

¹ The ALJ also on that first day of the hearing denied Flexsys' and KKPC's motions *in limine* regarding KKPC's P1 and P2 processes. The ALJ further stated on that first day of the hearing that Flexsys would have the opportunity (1) to make a standing objection as to any testimony or exhibits in evidence relating to the P1 and P2 processes during the hearing, and (2) to file a motion to strike such evidence after completion of the hearing. Flexsys took advantage of the opportunity to make a standing objection during the hearing when KKPC first presented evidence on the P1 and P2 processes through the testimony of Mr. Kim given on Monday, November 14, 2005. Flexsys timely filed a motion to strike on pursuant to the direction of the ALJ as given on the last day of the hearing, November 15, 2005.

(collectively “Samsung”). SanDisk in its complaint alleged infringement of its U.S. Patent Nos. 5,172,338 (the “338 patent”) and 5,418,752 (the “752 patent”). Because it was unaware of Samsung’s new designs at the time it filed its complaint, it initially did not differentiate its claim of infringement of the ‘752 patent between Samsung’s “old designs” and “new designs.”² Once it learned of the “new designs” in discovery, however, SanDisk made specific allegations of infringement and included arguments on such infringement in its prehearing statement. It also earlier had sought a motion to compel discovery due to Samsung’s piecemeal and slow production, with which SanDisk claimed Samsung eventually failed to comply.

After the evidentiary hearing, the presiding ALJ issued an initial determination in which he found that Samsung’s “original” design products directly infringed the ‘752 patent, and both Samsung’s original and “new” design products directly infringed the ‘338 patent. The ALJ declined to make a determination as to whether Samsung’s new design products infringed the ‘752 patent, citing inadequate document production by Samsung.

According to the Commission in *Flash Memory Circuits*, “[t]he principal reason for the ALJ’s decision was his finding that documentation provided by Samsung was purportedly inadequate for SanDisk to make a determination whether the new designs are capable of performing multisector erase and thus infringe the ‘752 patent.” *Flash Memory Circuits*, USITC Pub. 3046, Comm’n Op. at 12 (footnote omitted).³ The

² These facts are documented by SanDisk in its May 2, 1997 Reply to Briefs of Samsung Respondents and OUII Staff on Issues under Review by the Commission and on the Issues of Remedy, Public Interest and Bonding, at 12.

³ The Commission also discussed the issue of whether there was sufficient evidence of importation. The Commission found that the questions regarding importation and the

(continued...)

Commission concluded that the ALJ erred in not making a determination as to whether Samsung's new designs infringed SanDisk's patent. The Commission evaluated the ALJ's determination on the discovery issues and reasoned that the failure of discovery was SanDisk's fault.

In making that determination, however, the Commission made it very clear that to avoid a decision as to infringement regarding the new designs, all SanDisk had to do was withdraw its allegations of infringement from its prehearing statement. Unfortunately for SanDisk, the Commission explicitly found that SanDisk did not "clearly" withdraw its allegations of infringement in its amended prehearing statement or during the evidentiary hearing. *See Flash Memory Circuits*, USITC Pub. 3046, Comm'n Op. at 15-16 (footnotes omitted). The Commission thus concluded that the ALJ erred in not making a decision on the question of infringement by the new designs because (1) SanDisk had made specific allegations of infringement, (2) SanDisk sought discovery on that infringement and failed itself to follow-up on that discovery, and (3) SanDisk failed to clearly withdraw its allegations of infringement either in its amended prehearing statement or at the evidentiary hearing.

The ALJ in the present action recognized that the actions of SanDisk contrasted sharply with those of Flexsys here. Flexsys never made any allegations of infringement regarding KKPC's P1 and P2 processes, specific or general. Flexsys did not seek any

(continued...)

developmental stages of the devices went to both importation and the merits of the case itself. Citing *Amgen, Inc. v. United States Int'l Trade Comm'n*, 902 F.2d 1532, 1536 (Fed. Cir. 1990), the Commission concluded that "[w]here the jurisdictional requirements of section 337 mesh with the factual requirements necessary to prevail on the merits, the appropriate course of action is to assume jurisdiction and resolve the complaint on its merits." *Flash Memory Circuits*, USITC Pub. 3046, Comm'n Op. at 12-13.

specific discovery regarding infringement by KKPC's P1 and P2 processes, and certainly never filed any motion to compel on which it failed to follow through. Flexsys even filed a timely motion *in limine* well in advance of the Hearing to exclude testimony and evidence related to KKPC's P1 and P2 processes. Finally, Flexsys very clearly did withdraw any suggestion of any allegations of infringement against KKPC's P1 and P2 processes by a supplement to its prehearing statement accepted by the ALJ. Flexsys also made a standing objection to the introduction of testimony during the Hearing regarding KKPC's P1 and P2 processes and timely filed a motion to strike as directed following the close of the Hearing. In short, Flexsys could not have done more to comply with what the Commission was characterizing in *Flash Memory Circuits* as the correct course of action by a complainant to avoid a decision on an issue of infringement.

This point is further buttressed by the Commission's discussion at footnote 36 of its opinion in *Flash Memory Circuits*. While discussing the ramifications of issue preclusion, the Commission states that "SanDisk made specific allegations that these particular flash memory circuits infringe its '752 patent, and SanDisk had the opportunity and responsibility either to pursue thorough discovery (including motions to compel, for sanctions, and/or for adverse inferences, as appropriate) or to withdraw its allegation that Samsung's new designs infringe the '752 patent. SanDisk took neither route, but left its allegation pending where it should have been considered and ruled upon by the ALJ." *Flash Memory Circuits*, USITC Pub. 3046, Comm'n Op. at 16, fn. 36. The Commission could not have been clearer in its reasoning that had the allegation of infringement been expressly withdrawn by the complainant, the issue of whether there was infringement

would no longer have been before the ALJ and any decision on that issue would have no preclusive effect.⁴

Flexsys never alleged infringement of the patents-in-suit by 4-ADPA produced using KKPC's P1 and P2 processes, or 6PPD produced using such 4-ADPA. Nevertheless, Flexsys took the "route" expressly identified by the Commission in *Flash Memory Circuits* and clarified that it was "withdrawing" any suggestion of an allegation of infringement by KKPC's P1 and P2 processes.⁵ The ALJ here correctly recognized that Flexsys abided by the explicit guidance of the Commission in *Flash Memory Circuits*. His decision not to decide the question of whether KKPC's P1 and P2 processes infringe the patents-in-suit, but rather to accept Flexsys' representations as tantamount to a motion to terminate, should be accepted by the Commission without any review.

⁴ The ALJ's decision not to decide the question of infringement here is in no way at odds with the ALJ's grant of the motion to compel in *Certain Optical Disk Controller Chips and Chipsets and Products Containing Same, Including DVD Players and PC Optical Storage Devices*, ITC Inv. No. 337-TA-506, Order No. 32 (Dec. 22, 2004). There the ALJ correctly followed the Commission's reasoning in *Flash Memory Circuits*, because the complainant there was vigorously pursuing the other "route" identified by the Commission in footnote 36, *i.e.*, pursuing the asserted allegation of infringement by "thorough discovery (including motions to compel, for sanctions, and/or for adverse inferences, as appropriate)." Flexsys' decision to follow the other "route" identified by the Commission in footnote 36 of *Flash Memory Circuits* by clearly withdrawing any allegation of infringement should be equally acknowledged and honored by the Commission here.

⁵ Certainly a complainant such as Flexsys who never made specific allegations of infringement but nonetheless clearly withdrew any possible suggestion of them in its supplemental prehearing statement should be afforded the same treatment as a complainant that makes specific allegations of infringement and withdraws them in its prehearing statement.

B. The ALJ's Decision Is Fully Consistent With *Hardware Logic Emulation Systems* And Other Precedent Stating That Whether A Respondent's Redesigned Or New Products Infringe Is A Question To Be Decided By A Modification Proceeding Or An Advisory Opinion

KKPC does not now commercially produce 4-ADPA using its P1 and P2 processes, nor therefore any 6PPD using such 4-ADPA. KKPC simply wants a determination from the Commission now that any such new 4-ADPA or 6PPD products produced in the future would not be subject to any exclusion order that may issue. The Commission made it crystal clear in *Hardware Logic Emulation Systems*, however, that respondents asserting the existence of non-infringing new products must use the mechanisms of a modification proceeding or an advisory opinion to demonstrate such products do not infringe. The Commission in *Hardware Logic Emulation Systems* clearly rejected the notion that in the absence of an allegation of infringement by the complainant, a respondent is nevertheless entitled to a decision on the issue of infringement by a proposed new product:

[T]he Commission has indicated in past investigations that respondents who are asserting the existence of redesigned products have available to them the mechanisms of a modification proceeding or an advisory opinion by which to demonstrate that such products do not infringe. As is appropriate, such procedures place the burden of demonstrating noninfringement on respondents, who have been found to be in violation of section 337, and such procedures have been judicially approved.

Hardware Logic Emulation Systems, USITC Pub. 3089, Comm'n Op. at 16-17 (citations omitted).

KKPC in its petition for review is "flat wrong" in claiming that the Commission has held that it or the ALJ must address whether new or redesigned products infringe the patents at issue. Indeed, the clear position of the Commission as expressed in ample

precedent is directly the opposite: the appropriate avenue for a respondent to get a decision on whether its proposed new products infringe, in the absence of an allegation of infringement as to those new products by complainant, is to pursue the “mechanisms” of a subsequent modification proceeding or advisory opinion. KKPC’s suggestion in its petition for review that “equity demands” the Commission address the question of whether its new P1 and P2 processes infringe the patents-in-suit simply because it chose to ignore the Commission’s clear precedent and expend resources “developing new processes, providing substantial discovery, and presenting evidence at the Hearing” is at best hubris. Certainly, such alleged equity considerations are not grounds for the Commission reversing years and years of consistent precedent such as that clearly articulated in *Hardware Logic Emulation Systems*.

III. KKPC HAS NOT ESTABLISHED THAT IT HAS A LICENSE TO PRACTICE THE PATENTS-IN-SUIT, OR THAT FLEXSYS IS ESTOPPED FROM ENFORCING THE PATENTS AGAINST KKPC

Contrary to KKPC’s arguments, the ALJ quite properly rejected KKPC’s license and estoppel defenses.

Nothing required the ALJ to accept the testimony of Mr. Lim. On cross-examination, Mr. Lim admitted that KKPC had withheld documents relevant to KKPC’s defenses. After testifying on direct that Monsanto had made certain oral promises to KKPC, he testified that he did not understand the provision in the “TALA” requiring any amendment or modification to the agreement to be signed by both parties. Further, contemporaneous Monsanto documents and testimony by Roger Rains and Donald Fields refuted Mr. Lim’s fabricated testimony that in October 1992, Monsanto was producing commercial quantities of 4-ADPA in its pilot plant.

KKPC's argument that it was licensed under the Korean patent deserves short shrift. It is not relevant to this proceeding. *Ajinomoto Co., Inc. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338, 1348 (Fed. Cir. 2000) ("*Ajinomoto*") (holding that a license in a foreign country is no defense to an action under 35 U.S.C. §271(g)).

A. The ALJ Correctly Determined That KKPC Has Not Established A Licensing Or Estoppel Defense

The ALJ carefully considered KKPC's arguments and made the proper determination that KKPC's defenses fail. Indeed, the ALJ correctly concluded based on the evidence presented at the Hearing that KKPC does not have a license under the patents in issue (ID at 128), and that KKPC has failed to establish promissory estoppel (ID at 129-30).

1. Factual background

On June 12, 1987, Monsanto and KKPC entered into a joint venture agreement (the "JVA"),⁶ which created the joint venture company Kumho Monsanto Incorporated ("KMI").⁷ (ID at 123). The JVA took effect November 1, 1987, and was terminated on October 31, 2001. (ID at 123-124). Under the JVA, neither party could transfer its interest in KMI, except to an "Affiliate" (as defined in the JVA),⁸ without the other's consent. (ID at 124). Neither party was permitted to sell its interest in KMI to a third

⁶ The merger that led to the demise of KMI is contained in four separate agreements between at least three different parties, enacted at different times over a period of more than a month. (CRRFF 9.139A-E).

⁷ The JVA is governed by Korean law. (ID at 124). However, the JVA and its associated agreements were written in English. (ID at 124).

⁸ "Affiliate" under the JVA is defined as "any entity directly or indirectly controlling a party to this Agreement or any entity directly or indirectly controlled by any such controlling entity," and entity means any natural person or other person recognized by law. "Controlled" means possession, direct or indirect, of the power to direct or to cause direction of the management and policies of an entity. (RFF 9.24 (undisputed)).

party, without first giving the other a right of first refusal. (ID at 124). Moreover, the JVA prohibited either party from assigning or transferring its rights under the JVA, or the Joint Venture company, without first obtaining the other parties' written consent. (ID at 124).

The JVA contemplated that KMI would purchase all of KKPC's existing rubber chemicals business, as well as build a new 4-ADPA plant and modify KKPC's existing 6PPD unit, using technology supplied by Monsanto pursuant to the Technology and Licensing Agreement ("TALA"), which took effect on November 1, 1987 and terminated on October 31, 1997. (ID at 124). The TALA states that KMI would acquire KKPC's existing rubber chemicals business, build a new 4-ADPA plant and modify KKPC's existing unit. (ID at 125).

The ALJ recited the five most relevant provisions under the TALA:⁹ (1) Article 2.01 of the TALA states that Monsanto has "valuable secret TECHNICAL INFORMATION related to the manufacture and use of [4-ADPA] and certain [PPD PRODUCTS]" which it was willing to license to KMI to "manufacture, use and sell NEW 4-ADPA, and to modify EXISTING PPD PROCESSES (*Id.*);¹⁰ (2) Article 4.01, titled "Continuing Know-How," provides that during the term of the agreement,

⁹ The terms of the TALA are governed under Korean law. (ID at 125).

¹⁰ Article 2.01 of the TALA provides: "MONSANTO shall furnish LICENSEE with sufficient TECHNICAL INFORMATION in the matter set forth in this ARTICLE II to enable LICENSEE to design, construct, operate and maintain the NEW 4-ADPA PLANT and to modify EXISTING PPD PROCESSES to increase their capacity. LICENSEE understands that certain NEW 4-ADPA PROCESSES and NEW 4-ADPA EQUIPMENT is developmental in nature and as of the DATE OF THIS AGREEMENT has not been commercialized by MONSANTO or any MONSANTO AFFILIATE, however, the Board of Directors of MONSANTO have approved the installation of this developmental technology in the Brazilian plant of a MONSANTO AFFILIATE." (CX 159).

Monsanto shall make available to KMI improvements commercialized in its commercial facilities for the manufacture of PPD PRODUCTS or NEW 4-ADPA (ID at 125);¹¹ (3) Article 4.03 gives KMI the right to inspect Monsanto's commercial facilities engaged in the commercial production of PPD PRODUCTS or NEW 4-ADPA (ID at 126);¹² (4) Article 6.01 licensing grant to KMI to use technical information for the sole purpose of making NEW 4-ADPA only in the NEW 4-ADPA plant, and PPD PRODUCTS only in the PLANT¹³ (ID at 126);¹⁴ and (5) Article 6.03 states that MONSANTO agrees to provide KMI with a license for its Korean patents only to the extent necessary for its use

¹¹ Article 4.01 of the TALA provides: "MONSANTO shall, during the TERM OF THIS AGREEMENT, make available to [KMI] improvements in TECHNICAL INFORMATION within the FIELD OF THIS AGREEMENT which improvements Monsanto or a MONSANTO AFFILIATE has commercialized in their commercial facilities for the manufacture of PPD PRODUCTS or NEW 4-ADPA." (RX-506C at KKPC-ITC 04756).

¹² Article 4.03 of the TALA provides: "During the TERM OF THIS AGREEMENT, MONSANTO shall permit representatives of LICENSEE, and LICENSEE shall permit representatives of MONSANTO to inspect, examine, study and discuss respectively MONSANTO's (including MONSANTO AFFILIATES) and LICENSEE's commercial facilities, machinery, equipment (including detailed engineering drawings thereof) manufacturing processes and related control laboratories to the extent that such facilities are engaged in the commercial production of PPD PRODUCTS or NEW 4-ADPA." (RFF 9.34).

¹³ PLANT is defined in the TALA as "the battery limits facilities of LICENSEE in Yeochun the Republic of Korea..." (ID, at 126).

¹⁴ Article 6.01 of the TALA provides: "Subject to the provisions of ARTICLES VII and XV herein, MONSANTO agrees to grant and does hereby grant to LICENSEE an exclusive, non-transferable, royalty-free license, without the right to sublicense, to use all TECHNICAL INFORMATION and improvements thereto which MONSANTO supplies pursuant to this Agreement for the sole purpose of making NEW 4-ADPA only in the NEW 4-ADPA plant and PPD PRODUCTS only in the PLANT and using or selling such NEW 4-ADPA and PPD PRODUCTS, except to the extent that such use or sale is precluded by any unexpired patents of MONSANTO." (RX-506C at KKPC-ITC 04758-59).

in the NEW 4-ADPA PLANT, and to sell the NEW 4-ADPA and PPD PRODUCTS. (ID at 126-27).¹⁵

All of the rights granted under the TALA were conveyed as an exclusive license from Monsanto to KMI during the term of the TALA. (ID at 126). Prior to the time the JVA and the TALA were signed, KKPC produced both 4-ADPA (also known as PADA) and 6PPD. (ID at 127). At the time the TALA was entered into, Monsanto's only commercial process for making 4-ADPA was called PNCB. (ID at 127). Up until 1995, KMI produced both 4-ADPA and 6PPD, which were produced in separate units of KMI's Yeochun, Korea plant. (ID at 127-28). KMI used an old and well-known method to create 4-ADPA, which was known as the DPA method or diphenylamine process. (ID at 127-28). In its 6PPD unit, KMI performed reductive alkylation to convert 4-ADPA into 6PPD, which was a well-known process in the industry at that time. (ID at 127-28).

The TALA also included an Appendix, which established that Monsanto was to provide the technical information, technical assistance, advice, consultation and training to KMI with regard to the New 4-ADPA Plant, Modified 6PPD Processes and the PLANT study only. (ID at 127-28). The appendix was designated the Technical Assistance Agreement ("TAA"). (ID at 127-28). The TAA set forth the specifications

¹⁵ Article 6.03 provides: "Subject to the provisions of ARTICLES VII and XV herein, MONSANTO agrees to grant and hereby grants to LICENSEE an exclusive, non-transferable royalty-free license under and for the full terms of all future Korean patents owned or controlled (in the sense of having the right to grant licenses thereunder) by MONSANTO during the term of this Agreement to the extent, but only to the extent, necessary for LICENSEE (1) to use in the NEW 4-ADPA PLANT and in the PLANT all TECHNICAL INFORMATION and improvements thereto within THE FIELD OF THIS AGREEMENT which MONSANTO supplies to LICENSEE pursuant to this Agreement and improvements to such TECHNICAL INFORMATION made by LICENSEE; and (2) to use and sell the NEW 4-ADPA and PPD PRODUCTS so produced." Article 6.03 (RFF 9.40).

for the NEW 4-ADPA Plant, meaning 4-ADPA made by Monsanto's PNCB process, which was "new" to KKPC, which had used a process licensed from a Japanese company. The new plant was expected to produce 2,000 metric tons per year, using aniline and p-nitrochlorobenzene. (ID at 127-28). However, KMI deferred construction of the New 4-ADPA Plant. (ID at 127-28). In the end, the new 4-ADPA plant, where all New 4-ADPA production was to take place under the agreements, was never built. (ID at 127-28).

2. The ALJ rejected KKPC's licensing defense

The ALJ properly determined that KKPC does not have a license to practice the technology under the patents-in-suit. First, the ALJ found that, even if KKPC could establish that it succeeded to KMI's rights under the TALA, the TALA only conveyed rights to the PNCB process (*i.e.*, Monsanto's method of producing 4-ADPA existing at the time of the agreement), and improvements to that process.¹⁶ (ID at 127-28). Thus, KMI did *not* have rights to any completely new processes that replaced the existing technology. (ID at 127-28). The PPD2 process covered by the '063 and '111 patents, was *not* an "improvement" of the PNCB process, but rather, a totally new process that solved environmental and economic problems. (ID at 128-29). Thus, KKPC could not have rights to PPD2 under the TALA.

Moreover, the ALJ found, even if KKPC had established that the PPD2 process was an improvement, which it did not, KMI would only have rights if such technology

¹⁶ Under the TALA's "Continuing Know-How" provision, Monsanto was to provide improvements to the technology furnished to KMI, which had been commercialized in a commercial facility by Monsanto, or a Monsanto Affiliate, during the term of the TALA. (ID at 125).

were “commercialized” by Monsanto or a “Monsanto Affiliate” prior to October 31, 1997, the date that the TALA terminated. (ID at 129). The ALJ properly concluded that the record demonstrates that PPD2 was not commercialized until 1998, which was subsequent to the relevant termination date. (ID at 129). As such, the ALJ rejected KKPC’s licensing defense. (ID at 130).

3. The ALJ also rejected KKPC’s estoppel defense

The ALJ correctly determined that KKPC did not establish promissory estoppel. (ID at 129-30). First, there was no evidence that KMI relied on alleged promises that Monsanto would build a PPD2 plant, especially when KMI had purchased 4-ADPA from Nanjing Chemical Company (“Nanjing”) and, after a fire in KMI’s 4-ADPA plant on January 3, 1995, KMI restarted its plant and continued to make some 4-ADPA. (ID at 129). Moreover, as the ALJ noted, KMI’s communications with Monsanto after KMI’s plant burned down in January 1995 further evidence that KMI did not believe that it had rights to the PPD2 technology. (ID at 129). At that time, KMI requested a written commitment from Monsanto to provide KMI with the PPD2 technology and to build for KMI a PPD2 plant in the future, which Monsanto never provided. (ID at 129).

Second, the ALJ properly determined that there was no promise to provide KMI with the PPD2 technology or a PPD2 plant. (ID at 129-30). Any agreement between Monsanto and KMI regarding PPD2 technology would have had to be in writing because the JVA and the TALA contained entirety clauses which required any agreements or arrangements to be in writing, and any amendments to the JVA or the TALA to be in writing and signed by an authorized representative of each party. (ID at 129-130). No such writings exist. (ID at 130).

Thus, the ALJ properly concluded that KKPC has failed to establish any of the essential elements of its estoppel defense.

B. There Is No Reason For The Commission To Review The ALJ's Finding That KKPC Did Not Have A License

KKPC's arguments provide no reason under Commission Rule 210.43(b)(1)¹⁷ why the Commission should review the ALJ's decision denying KKPC's license defense.

1. KKPC fails to prove its licensing defense

The clear and unambiguous record establishes that KKPC did not have a license to practice the patents-in-suit. As a threshold matter, KKPC cannot establish that it succeed to KMI's rights under the JVA and the TALA. Moreover, the TALA did not convey rights to the patents-in-suit, as correctly concluded by the ALJ. (ID at 127-28). As such, neither KKPC nor any other Korean entity ever owned or acquired rights in the patents.

Throughout the case, KKPC's licensing defense has rested primarily on the testimony of two witnesses – Mr. S.K. Lim, a KKPC employee, and Mr. K.W. Park,

¹⁷ A party seeking review must specify “(i) that a finding or conclusion of material fact is erroneous; (ii) that a legal conclusion is erroneous, without governing precedent, rule or law, or constitutes an abuse of discretion; or (iii) that the determination is one affecting Commission policy.” Commission Rule 210.43(b)(1). Contrary to KKPC's argument, Flexsys made it clear in its objections and responses to KKPC's proposed findings that it disputed KKPC's argument that KMI was licensed under the Korean patents for the PPD2 process. *See* CFF 570-682. KKPC mistakenly relies on an inadvertent “no objection” in Flexsys' response to RFF 9.199, but that cannot form a basis for KKPC's argument in view of CRRFF 9.198B and CRRFF 9.208. To correct the record, Flexsys amends CORFF 9.199 as follows, “Objection. As set forth in CRRFF 9.198B, immediately above, “KMI never had an express license to practice the PPD2 process.” Logically, this means that KKPC did not have a license under the Korean PPD2 patent. *See also* CORFF 9.206-9.208, CRRFF 9.206-9.208, stating that “KMI did not have any license rights to . . . Flexsys' patents. . .” *Id.*, at CRRFF 9.208. Moreover, whether or not KMI had a license under the Korean patent is irrelevant as a matter of law. *Ajinomoto*, 28 F.3d at 1348.

KKPC's expert. The ALJ observed firsthand the demeanor of these witnesses during the Hearing, and was entitled to disregard their testimony if he found it to be incredible.

KKPC did not succeed to KMI's rights under the TALA. Moreover, as concluded by the ALJ and as evidenced by the record, even if the rights conveyed by the TALA somehow had legally transferred to KKPC, the TALA did not give rights to the patents-in-suit. (ID at 128-29). Indeed, the TALA's "Continuing Know-How" provision did not entitle KMI to the PPD2 technology because it was not an "improvement" and it was not "commercialized" during the term of the TALA. (ID at 127-29).

KKPC's argument that it holds a license under the TALA to perform an old reductive alkylation process is a red herring. Why would KKPC need a license to perform an old non-patented process? More to the point, as noted by the ALJ, it is irrelevant whether KKPC has a right to reductively alkylate 4-ADPA. (ID at 130, n.40). The patents-in-suit cover a process involving four steps – the first three steps produce 4-ADPA and last step converts 4-ADPA to 6PPD. (Flexsys Pet. at 2.) Respondent Sinorgchem performs the first three steps using a process to create 4-ADPA that is covered by the patents-in-suit, which 4-ADPA KKPC converts into 6PPD and then imports into the United States. *Id.* at 3-4. Regardless of whether the fourth step of this process uses a process that is not covered by the patents, KKPC still violates Section 1337(a)(1)(B)(ii) because the 6PPD that it imports was made "by means of" a process covered by the patents. *See Flexsys Petition for Review, filed March 3, 2006.*

Contrary to KKPC's argument, as a matter of law, it is irrelevant whether KMI had a license under Flexsys' Korean patents. *See e.g. Ajinomoto*, 228 F.3d at 1348

(holding that a license in a foreign country is no defense to an action under 35 U.S.C. §271(g)).¹⁸

KKPC has not and cannot establish that it has a license which entitles it to import into the United States 6PPD using the same process as the patents-in-suit.

2. KKPC's witnesses are not credible

As mentioned earlier, KKPC's licensing defense rests primarily on the testimony of two witnesses—Mr. S.K. Lim, a KKPC employee, and Mr. K.W. Park, KKPC's expert. The ALJ had an opportunity to listen to the witnesses' testimony and observe their credibility at the Hearing, and disregarded their testimony if he found them to be incredible.

Mr. Lim wove together a series of stories that contradict each other. Mr. Lim first claimed that all of Monsanto's communications were verbal. (CRRFF 9.100). He then testified that emails did exist, but that KMI's email system was deactivated when Monsanto sold its shares in KMI (CRRFF 9.100). *Even further* contradicting himself, Mr. Lim later admitted that there are "still a lot of meeting minutes hanging around" which describe the "deal" with Monsanto, but that KKPC did not produce them since they all are in the Korean language.¹⁹ (CRRFF 9.101). Mr. Lim could not get his story straight at the trial, and could not point to a single document to support his argument about Monsanto's oral promises, a fatal flaw since the TALA included an integration clause requiring that all modifications be in writing. Therefore, the ALJ was justified in disregarding Mr. Lim's testimony.

¹⁸ Because this argument is irrelevant, Flexsys has no reason to delve into the proposed findings. Flexsys, however, disputes that KMI had such a license.

¹⁹ Notably, KKPC produced numerous other documents during this litigation that were written in Korean.

The ALJ rejected Mr. Lim's false testimony that the Queeny pilot plant produced commercial quantities of 4-ADPA when he visited the plant in October 1992. Contemporaneous Monsanto documents irrefutably demonstrate that the pilot plant did not produce any 4-ADPA until almost two months after Mr. Lim's visit. (CFF 617; CRRFF 9.71). Moreover, the pilot plant could produce only 10 pounds of 4-ADPA an hour, or a maximum of 35 metric tons a year. In contrast Flexsys' commercial 4-ADPA plant produces 20,000 metric tons of 4-ADPA a year. (CRRFF 9.73, 9.73A).

Mr. Lim admitted he is not an expert and has only a general understanding of the pilot plant. (CRRFF 9.71C, 9.72B, 9.73D, 9.74B, 9.75, 9.77A). Moreover, Mr. Lim testified that he was not entirely comfortable with the English language, so he may not have fully comprehended what he was told. (CFRR 9.76). For example, Mr. Lim initially testified that Messrs. Schade and Crowley accompanied him on his tour of the Queeny pilot plant. However, after Mr. Crowley subsequently testified that he did not attend the tour, KKPC dropped its assertion as it relates to Mr. Crowley and now only claim Mr. Schade attended the tour. (CFRR 9.76). For these reasons, Mr. Lim's testimony was properly rejected.

Second, KKPC's claim that it is entitled to rights under the TALA is based on the testimony of its Korean law expert Mr. Park. However, Mr. Park's opinions are unreliable because he failed to cite a single Korean law in his testimony. His trial testimony was conclusory in nature, and he admitted that he conducted *no independent fact research*. His legal research seems to be limited to the Korean Monopoly Statute, which has no relevance to this case. It appears that Mr. Park has based his opinions primarily on his own interpretation of definitions of technical terms used in the

agreements, about which he has no expertise,²⁰ and of facts that were related to him by KKPC's trial counsel.

For example, KKPC has relied on Mr. Park's testimony for the definition of "Affiliate," rather than the definition provided in the TALA, which is contrary to settled contract interpretation principles. Mr. Park inexplicably relied on the Korean monopoly statutes to conclude that, in order to be an affiliate, the parent corporation must only hold 30% of the company. (CRRFF 9.193E). Mr. Park's conscious avoidance of the TALA for the definition of "Affiliate" implies that he understood that KKPC's argument fails under the definition in those agreements.²¹ Therefore, Mr. Park's testimony is not credible.

Incredibly, Mr. Park testified that the JVA and the TALA were mere corporate formalities and, therefore, the restrictions contained in the agreements are meaningless. However, this position is not credible because Mr. Park contradicted himself by asserting that Korean courts recognize corporate formalities. (CRRFF 9.140G). Given this contradiction, Mr. Park's testimony should be ignored on this issue.

In further contradiction, Mr. Park testified that KMI's merger with KDC, and subsequent transfer of KDC's rubber chemical assets to KKPC, were mere formalities. He opined that Korean courts would more likely examine actual corporate changes, rather

²⁰ Mr. Park's opinions regarding the meaning of technical terms or practices in the rubber chemicals industry are of no value since Mr. Park does not have a chemical background or experience in the rubber chemicals industry.

²¹ The definition of "affiliate" under the those agreements hinges on the ability of Monsanto to possess "the power to direct or cause direction of the management and policies of such company." As KKPC admits, Monsanto only owned 50% of Flexsys and only maintained 50% of the vote on Flexsys' Supervisory Board. (Respondents' Post-Hearing Brief at 100-101). KKPC fails to explain how Monsanto, only a 50% owner in Flexsys, could direct the management and policies of Flexsys.

than examine the formalities that created the changes. However, Mr. Park failed to cite any support in Korean law for this opinion. Then, Mr. Park contradicted himself by testifying that Korean courts do, in fact, observe these very same corporate formalities. Mr. Park's "expert" opinions are ridden with contradiction and are unsupportable by precedent or statute. The ALJ was correct to pay little credence to Mr. Park's, as well as Mr. Lim's, specious testimony.

3. KKPC can not claim a licensing defense because KKPC did not succeed to KMI's rights under the TALA

KKPC has presented no evidence that it legally succeeds to the rights granted to KMI under the license.

In June of 1987, Monsanto and KKPC entered into the JVA and the TALA, which created KMI. (CFF 523, 535). On October 31, 2001, Monsanto sold its interest in the KMI joint venture to KKPC. (CFF 538). Approximately one month later, on November 29, 2001, KKPC entered into a Merger Agreement with Kumho Development Company ("KDC") to merge KMI with KDC. (CRRFF 9.139A). Another month later, on December 31, 2001, KDC and KKPC entered into two additional agreements, the Chemical Development Business Unit Transfer Agreement and the Intellectual Property Rights, etc. Transfer Agreement. (CRRFF 9.139B-C). These latter two agreements represent the transfer of assets from KDC to KKPC, including the former KMI assets. **As the titles indicate**, these two agreements were intended to be a transfer of KDC's chemical business unit to KKPC, and not a merger of all rights and assets. KKPC only acquired the chemical business unit from KDC and not the rights conveyed to KDC from KMI in a prior and distinct merger.

The rights conveyed to KMI were legally transferred to KDC as part of the merger between KMI and KDC. Any further transfer of assets, including those to KKPC, required Monsanto's consent pursuant to the assignment clauses of the JVA and the TALA, which restricted KMI from transferring its rights.²² Those assignment clauses specifically required the written permission of Monsanto before transferring KMI's rights. (CRRFF 9.140E). KKPC never obtained Monsanto's consent. *Id.* As such, although KKPC succeeded KMI in many of its assets, the rights conveyed by the TALA did not legally transfer to KKPC. (CRRFF 9.139A-D). KKPC's licensing defense fails on this basis alone.

4. Even if KKPC could establish that it succeeded to KMI's rights, the TALA did not give rights to the patents-in-suit

KKPC's licensing defense also fails because, as properly ruled by the ALJ, the TALA did not convey rights to the patents-in-suit. (ID at 128-29). First, the "Continuing Know-How" provision of the TALA did not entitle KMI to the PPD2 technology because PPD2 was not an "improvement" over Monsanto's PNCB process for making 4-ADPA during the time of the TALA. (ID at 128-29). Second, the "Continuing Know-How" provision did not entitle KMI to the PPD2 technology because PPD2 was not "commercialized" during the term of the TALA. (ID at 129). Third, the "Continuing Know-How" provision did not entitle KMI to the PPD2 technology because Flexsys is not a "Monsanto Affiliate" under the TALA and has no obligations under the agreement. Fourth, KKPC cannot exercise any rights under the TALA because it failed to fulfill its obligation under the TALA to build a NEW 4-ADPA PLANT. Last, contrary to KKPC's

²² Under Korean law, assignment clauses are applicable and enforceable with respect to the transfer of assets. (CRRFF 9.175C).

current position, KKPC and KMI knew that the TALA never conveyed the patents-in-suit, as evidenced by the fact that KMI requested a written commitment from Monsanto to provide the PPD2 technology several years after signing the TALA. For each of these reasons, KKPC has not established its licensing defense.

(a) KKPC did not have a license to the PPD2 process based on the TALA's "Continuing Know-How" provision because PPD2 is not an "improvement" to PNCB

The ALJ properly determined that the PPD2 process is a totally new technology and not merely an "improvement" upon the PNCB process. (ID at 128-29). The TALA only provides rights to PNCB – *i.e.*, Monsanto's then-existing commercial process – and "improvements" to that process.²³ (ID at 125, 128). It is undisputed that at the time the TALA was signed, Monsanto's commercial process for making 4-ADPA, indeed, Monsanto's only commercial process during the term of the TALA, was the PNCB process. (ID at 128; CFF 553, 571; RFF 9.56; CRRFF 9.88C; SFF 375, 376).

Thus, KKPC could only prevail in its argument if it established that PPD2 was an "improvement" to PNCB, which it did not. KKPC blatantly misrepresents the record by alleging that the "undisputed" factual record shows that parties understood that PPD2 was an "improvement." (KKPC Pet., at 12). The evidence clearly shows, and ALJ agrees, that the PPD2 process was *not* an "improvement" of an existing process as set forth in the TALA's "Continuing Know-How" section, but rather, a completely new reaction, and,

²³ KKPC erroneously states that the TALA "granted KMI (and KKPC as KMI's successor) a license to certain technology developed or *to be developed* by Monsanto." (KKPC Pet., at 9. (emphasis added)). However, Article 4.01 of the TALA does not convey rights to *any* technology to be developed by Monsanto, but strictly that technology which is an "improvement" to the existing technology. (ID, at 125, 128).

therefore, could not have been transferred to KKPC. (ID at 128-29; CFF 606; CRRFF 9.88E).

KKPC incorrectly argues that the ALJ “violated established precepts of contract interpretation in determining that the PPD2 process was not an ‘improvement’ covered by the TALA.” (KKPC Pet., at 12). Regardless of how KKPC may try to manipulate the issues by suggesting that the word “improvement” is not made clear by the plain contract language, the reality is that the ALJ carefully reviewed the evidence and reached the irrefutable conclusion that the PPD2 technology is an entirely new technology. (ID at 128). KKPC cannot refute **and has not refuted** the fact that the PPD2 process was new based on the fact that it solved environmental and economic problems. (ID at 128-29; CFF 605).

KKPC tries to support its untenable position by asserting that Monsanto admitted that PPD2 was an improvement. (KKPC Pet., at 12-13). However, Monsanto never admitted, or in any way suggested, that the PPD2 process was an improvement to any prior technology. In support of this absurd conclusion, KKPC points to a 1992 report which states, “Monsanto has invented, and is developing, new technology *which holds the promise* of being a step-change improvement *in overall economics and in waste reduction.*” (RX-519). (emphasis added). This statement clearly addresses Monsanto’s hope that the new technology would improve economics and waste reduction, and cannot fairly be read to address the process itself. KKPC also points to its allegation that the mere fact that Mr. Lim visited Monsanto’s Queeny plant in October 1992 mandates the conclusion that the plant must have been producing the PPD2 technology at that time. (KKPC Pet., at 12-13). However, Mr. Lim’s **hearsay** testimony on this issue is

uncorroborated and contrary to the irrefutable documentary evidence. (CRRFF 9.78A-78K). Monsanto documents demonstrate the pilot plant did not produce any 4-ADPA until December 1992, almost two months after Mr. Lim's visit. (CFF 617; CRRFF 9.71).

The fact of the matter is that PPD2 and PNCB are simply different processes. The ALJ determined this. As such, KKPC's licensing defense fails because the TALA did not convey rights in the PPD2 technology.

(b) KKPC did not have a license to the PPD2 process based on the TALA's "Continuing Know-How" provision because PPD2 was not "commercialized" during the term of the TALA

KKPC's licensing defense also fails on the independent basis that PPD2 was not "commercialized" by Monsanto or an affiliate during the term of the TALA as required by the agreement. (ID at 129; Staff Post-Hearing Brief, at 40). KKPC sets forth no evidence to support its assertion that PPD2 was "commercialized," simply relying on yet another bald assertion that the "unambiguous evidence" supports its argument. (KKPC Pet., at 13).

KMI would only have rights to PPD2 if such technology were commercialized by Monsanto or an affiliate prior to October 31, 1997, the termination of the TALA. (ID at 129). The ALJ correctly determined that the record clearly indicates that PPD2 was not commercialized until after that date, in 1998. (ID at 129).

The evidence shows that the Queeny pilot plant did not produce 4-ADPA for profit; it incinerated it. (CFF 107; CRRFF 9.72A). Since none of the product made at the Queeny pilot plant was ever sold, and the plant cost \$15 million to build, it is a far stretch to claim the Queeny pilot plant "appl[ied] methods of business for profit." (CFF 521). Furthermore, if the Queeny pilot plant were a commercial facility, then Monsanto never

would have shut it down in 1993, less than 18 months after it was started. (CRRFF 9.73C).

KKPC cannot refute the clear record and the findings of the ALJ that PPD2 was not commercialized during the term of the TALA, and, therefore, KKPC's licensing defense fails.

(c) KKPC did not have a license to the PPD2 process based on the TALA's "Continuing Know-How" provision because Flexsys is not a "Monsanto Affiliate" and has no obligations under the TALA

KKPC's licensing defense also fails because Flexsys is not a "Monsanto Affiliate" under the TALA and, therefore, is not bound by the agreement. Under the TALA's "Continuing Know-How" provision, Monsanto was to provide improvements to the technology furnished to KMI, which had been commercialized in a commercial facility, by Monsanto or a "Monsanto Affiliate" during the term of the TALA. (CFF 555; CRRFF 9.88D). As set forth more fully in Flexsys' Post-Hearing Brief, Flexsys did not fall under the definition of "Monsanto Affiliate" because Monsanto did not possess "the power to direct or cause direction of the management and policies of [Flexsys]," and, in any event, Flexsys' commercial plant in Antwerp did not begin chemical introduction of its reactor until after the termination of the TALA, and until after Monsanto gave up its 50% interest in Flexsys. (Flexsys Post-Hearing Brief, at 56-59). Moreover, KKPC is estopped from asserting that Flexsys was a "Monsanto Affiliate" because it had previously rejected the argument that Flexsys was a Monsanto affiliate during Flexsys' formation. *Id.*

(d) KKPC cannot exercise rights under the TALA those rights were limited to a plant that KKPC never built

KMI's license under the TALA was limited to technology and improvements supplied by Monsanto "for the sole purpose of making NEW 4-ADPA only in the NEW 4-ADPA PLANT." (CFF 535; RFF 9.192). As discussed above, "NEW 4-ADPA" meant Monsanto's PNCB process, which, at the time, was new to KKPC and KMI.

KMI never built the NEW 4-ADPA PLANT where the technology was to be exercised, instead choosing to indefinitely defer construction of the NEW 4-ADPA PLANT because Monsanto had assisted in increasing the existing 4-ADPA plant's productivity. (CFF 579; RFF 9.55). Therefore, since the technology provided by Monsanto was to be utilized exclusively in a plant that was never built, KMI's rights to the technology were waived under the agreement.

(e) KKPC and KMI knew that the TALA never conveyed rights to the patents-in-suit

Contrary to its current position, KKPC and KMI knew that the TALA never conveyed the patents-in-suit. As set forth more fully in Flexsys' Post-Hearing Brief, if KMI believed that it held rights to the PPD2 technology, then it would not have requested a written commitment from Monsanto to provide PPD2 several years after signing the TALA. (Flexsys Post-Hearing Brief, at 59-60).

As such, KKPC's licensing defense is untenable and was properly rejected by the ALJ and the Staff.

5. KKPC's argument that it has a license to reductively alkylate 4-ADPA is unsupportable and irrelevant

The ALJ correctly determined that whether KKPC has a license to reductively alkylate 4-ADPA – *i.e.*, the last of four steps covered by the patents-in-suit – is entirely

irrelevant to Flexsys' claims. (ID at 130, n40). Having failed to establish that it holds a license to the patents-in-suit, KKPC has made a last-ditch effort to defend itself by arguing that it obtains 4-ADPA from third parties and only performs conversion of 4-ADPA to 6PPD using an old process. (KKPC Pet., at 10).

However, this argument is nothing more than a smoke screen. KKPC falsely represents to the Commission that there is "undisputed evidence that KKPC held a license to continue making 6PPD from 4-ADPA from any source" and that this fact is "dispositive of Complainant's infringement claims." (KKPC Pet., at 11). In reality, Flexsys has repeatedly disputed this argument as contrary to the evidence. (*See, e.g.*, Flexsys Post-Hearing Brief, at 60-61). Moreover, even if KKPC did hold "a license to continue making 6PPD from 4-ADPA from any source," that license was limited to Korea and gives KKPC no right to import the product of that process into the United States. *Ajinomoto*, 228 F.3d at 1348.

KKPC has not met its burden of proving its licensing defense, and the ALJ correctly concluded that this argument has no bearing on its conclusion that the defense fails.

(a) KKPC fails to prove its estoppel defense

The ALJ correctly determined that KKPC's estoppel defense fails. (ID at 129-130). KKPC asserts that KMI supposedly relied on assurances from Monsanto that it would provide KMI with the PPD2 technology, again falsely stating that this allegation is "undisputed." (KKPC Pet., at 14). However, KKPC is unable to support its defense, merely relying on the unreliable testimony of the incredible Mr. Lim and unfounded conclusions drawn from Monsanto and KMI memoranda. The evidence presented at the Hearing clearly shows that KKPC did not rely on the supposed assurances from

Monsanto and, therefore, KKPC cannot claim that Flexsys is estopped from asserting the patents-in-suit.

Moreover, KMI's defense fails because there was no promise to provide KMI with the PPD2 technology, as the ALJ properly determined. (ID at 129-30). Even if KKPC could support its claim that Monsanto had offered KMI the PPD2 technology under the TALA, this "promise" would not be enforceable because the TALA has an entirety clause, which invalidates any oral agreements between the parties and requires that any arrangements, agreements and amendments be in writing. (ID at 129-30). Furthermore, KKPC failed to invoke the mandatory arbitration clauses in the JVA and TALA for disputes arising out of the agreements during the statute of limitations for such claims. (ID; *see* Flexsys Post-Hearing Brief, at 63-67).

(b) Monsanto and Flexsys never made a promise to offer the PPD2 technology under the TALA, or otherwise

To explain the lack of any documentary evidence to support his contrived story, Mr. Lim claimed that all of Monsanto's supposed communications were oral. (CRRFF 9.100). Mr. Lim later changed his story and testified that emails did exist, but that KMI's email system was deactivated when Monsanto sold its shares in KMI. (CRRFF 9.100). Even further contradicting himself, Mr. Lim later admitted that there are "still a lot of meeting minutes hanging around" which describe the "deal" with Monsanto, but that KKPC did not produce them since they all are in the Korean language. (CRRFF 9.101).

Moreover, any promise to provide the PPD2 technology would have required an amendment to the TALA. (ID at 129-30). Indeed, any amendments to the TALA were

required to be in writing and signed by an authorized representative of each party.²⁴ (CFF 547). No such writing exists.

Similarly, the TALA waives any oral agreements between the parties, so KKPC would fail on any claim that Monsanto made an oral promise to provide the PPD2 technology. (ID at 129-30; CFF 546).

For these reasons, KKPC has failed to establish that there was a promise to provide the PPD2 technology and, as such, its defense fails.

(c) KKPC never invoked the arbitration clauses under the JVA or the TALA during the applicable statute of limitations

Even if KMI or KKPC did believe that the TALA was legally amended to include the PPD2 technology, KKPC failed to invoke the mandatory arbitration clauses in the JVA and TALA during the statute of limitations for such claims. Both the JVA and TALA contain legally binding arbitration clauses under Korean law, which require any dispute arising out of the agreements to be settled by arbitration. (CFF 530 531, 545). If KKPC had believed that it was entitled to the PPD2 technology, then it was required to bring such a claim under the arbitration clauses. KKPC never brought such a claim. KKPC has allowed the statute of limitations to expire, and now cannot claim that a dispute over the TALA exists.²⁵

²⁴ KKPC was aware of this requirement, as evidenced by Mr. Park's insistence that his demands be guaranteed with a written confirmation letter. (CFF 598). Mr. Lim testified that Monsanto offered KMI the PPD2 technology on multiple occasions, but, that KMI never asked for, nor received, anything in writing, much less a formal amendment to the TALA.

²⁵ As testified to by KKPC's Korean law expert, Mr. Park, the statute of limitations in Korea for such a claim is five years. (CFF 680).

(d) KMI did not rely on Monsanto's supposed assurances.

In addition to the foregoing reasons, KMI's estoppel defense fails because it has failed to show, as it must, that KMI relied on Monsanto's alleged assurances that KMI would receive the PPD2 technology. (ID at 129). The evidence at trial plainly shows, and the ALJ agrees, that KMI did not rely on Monsanto's assurances. (ID at 129).

KKPC claims that KMI agreed not to rebuild its fire-damaged 4-ADPA plant because it was relying on a promise from Monsanto to supply KMI with the PPD2 technology in the future. (KKPC Pet., at 14; RFF 9.101). However, the evidence shows that, despite Monsanto's alleged assurances, KMI still rebuilt its 4-ADPA plant after the fire.²⁶ (CRRFF 9.101A). This fact also undercuts KKPC's assertion that it was forced to purchase 4-ADPA from a third party, Nanjing, because it relied upon Monsanto's supposed promises and did not rebuild its own 4-ADPA plant. (KKPC Pet., at 15). Indeed, the ALJ was correct in concluding that it is more likely that KKPC's purchase of 4-ADPA from Nanjing suggests that KMI was not waiting around for Monsanto to provide PPD2 or build a PPD2 plant. (ID at 129).

Further evidence that KMI did not rely on a promise is that KMI's Mr. Park asked Monsanto for a commitment letter regarding construction of plant, which Monsanto never provided. (ID at 129). KMI's apparent position that it needed to request a writing, and the fact that Monsanto never provided a writing, weigh against KKPC's specious assertion that relied upon a promise.

²⁶ KKPC's Korean law expert, Mr. Park, based his estoppel opinion on KKPC's false assumptions regarding KMI's decision not to rebuild its 4-ADPA plant, and, as such, Mr. Park's opinion on this subject is meaningless.

PUBLIC VERSION


KKPC asserts no credible evidence for its argument that KMI relied on Monsanto's supposed assurances. This argument and the estoppel defense fail.

IV. CONCLUSION

For the reasons set forth above, the KKPC has failed to provide any reason why the Commission should review its petition.

Dated: March 20, 2006

Respectfully submitted,



Gregory C. Dorris
Charles H. Carpenter
PEPPER HAMILTON LLP
Hamilton Square
600 Fourteenth Street, N.W.
Washington, DC 20005

Eric C. Cohen
Neil A. Benchell
Carolyn E. Miller
KATTEN MUCHIN ROSENMAN LLP
525 West Monroe
Chicago, Illinois 60661-3693

Glen P. Belvis
Jill Hubbard Bowman
BRINKS HOFER GILSON & LIONE
NBC Tower - Suite 3600
455 N. Cityfront Plaza Drive
Chicago, IL 60611-5599

CERTIFICATE OF SERVICE

I hereby certify that a copy of the attached was served as indicated on the parties listed below this 20th day of March 2006:

VIA Hand Delivery (two copies)

The Honorable Paul J. Luckern
United States International Trade Commission
500 E Street, SW, Room 317-A
Washington, DC 20436

VIA Email & Hand Delivery

Juan S. Cockburn, Esq.
United States International Trade Commission
500 E Street, SW, Room 401-Q
Washington, DC 20436

VIA Email & Hand Delivery

Paul J. Zegger, Esq.
Zhiqiang Zhao, Esq.
Arnold & Porter LLP
555 12th Street, N.W.
Washington, DC 20004

Counsel for Respondent Sinogchem Co.

VIA Email

Shanlon Wu, Esq.
King & Wood PRC Lawyers
31st Floor, Tower A, Jianwei SOHO,
39 Dongsanhuan Zhonglu
Chaoyang District, Beijing 100022
People's Republic of China

Counsel for Respondent Sinogchem Co.

VIA Email & Hand Delivery

Marcia H. Sundeen, Esq.
Suite 400
1700 Pennsylvania Avenue, N.W.
Washington, DC 20006

Counsel for Respondent Sinogchem Co.

VIA Email & Hand Delivery

V. James Adduci II, Esq.
Barbara A. Murphy, Esq.
Maureen F. Browne, Esq.
Michael L. Doane, Esq.
William C. Sjoberg, Esq.
A. Alex Lasher, Esq.
Tali Leah Alban, Esq.
Adduci, Mastriani & Schaumberg, L.L.P.
1200 Seventeenth Street, N.W., Fifth Floor
Washington, DC 20036

Counsel for Respondent Korea Kumho
Petrochemical Co., Ltd.

VIA Email & Hand Delivery

James K. Kearney, Esq.
Womble Carlyle Sandridge & Rice LLP
1401 I Street, N.W., 7th Floor
Washington, DC 20005

Counsel for Sovereign Chemical Company

VIA Email & Overnight Delivery

Nanda K. Alapati, Esq.
Womble Carlyle Sandridge & Rice LLP
8065 Leesburg Pike, 4th Floor
Tysons Corner, VA 22182-2738

Counsel for Sovereign Chemical Company

VIA Email & Overnight Delivery

Deborah A. Coleman, Esq.
Hahn Loeser & Parks LLP
3300 BP Tower
200 Public Square
Cleveland, OH 44114

Counsel for Sovereign Chemical Company

VIA Email & Hand Delivery

Manni Li, Esq.
Venable LLP
575 7th Street, NW
Washington, DC 20004

Counsel for Respondent Sinogchem Co.

VIA Email & Overnight Delivery

Scott M. Oldham, Esq.
John J. Cunniff, Esq.
Hahn Loeser & Parks LLP
One GOJO Plaza, Suite 300
501 S. Main Street
Akron, OH 44311-1076

Counsel for Sovereign Chemical Company

VIA Email & Overnight Delivery

Robert Badal, Esq.
Edward Slizewski, Esq.
Heller Ehrman LLP
333 S. Hope Street
Suite 3900
Los Angeles, CA 90071-3043

Counsel for Respondent Korea Kumho
Petrochemical Co., Ltd.

VIA Email & Overnight Delivery

Alan Blankenheimer, Esq.
Heller Ehrman LLP
4350 La Jolla Village Drive
7th Floor
San Diego, CA 92122-1246

Counsel for Respondent Korea Kumho
Petrochemical Co., Ltd.

VIA Email & Overnight Delivery

Guy Chambers, Esq.
Maureen Sheehy, Esq.
Townsend and Townsend and Crew
Two Embarcadero Center
Eighth Floor
San Francisco, CA 94111

Counsel for Respondent Korea Kumho
Petrochemical Co., Ltd.



Gregory C. Dorris